

Exhibit 4

Lockheed
Aeronautical Systems Company

A Division of Lockheed Corporation
Marietta, Georgia 30063

December 15, 1994

Mr. William J. Ryan/RLTC
Divisional Administrative Contracting Officer
Defense Plant Representative Office
Lockheed Aeronautical Systems Company
86 South Cobb Drive
Marietta, Georgia 30063-0260

Plaintiff's Exhibit
8 Sanders

120-10 ESQUIRE BS

Dear Mr. Ryan:

Lockheed Corporation and the United States are preparing to execute a Settlement Agreement arising out of certain alleged non-disclosures by Lockheed Aeronautical Systems Company ("LASC") of cost or pricing data relating to manufacturing costs for labor. In Paragraph 10 of that Settlement Agreement, Lockheed will agree to treat as unallowable costs as defined in FAR 31.205-47 certain types of costs incurred in connection with the matters resolved in that Agreement. In particular, in Paragraph 10(c), Lockheed will agree to treat as unallowable the costs of any corrective actions taken in response to the allegations made by the United States as set forth in the Settlement Agreement. It is understood that the terms of Paragraph 10 of the Settlement Agreement are to be read in accordance with and are governed by the terms of Paragraph 7 of the Settlement Agreement.

One action that Lockheed is implementing that will alleviate the conditions that gave rise to the allegations that are the subject of the Settlement Agreement is the implementation of a system for recording the actual costs of rework and repair. This system will provide actual cost data in lieu of the estimates that have previously been utilized in LASC's proposals.

This system is not a corrective action taken in response to the Government's allegations in the settled matter. The plan to implement a new system for recording actual rework and repair costs has been in process for several years, but was deferred primarily because of other priority projects in the Information Services Department. In April 1993, a Process Action Team ("PAT") was chartered by the LASC Vice President of Operations to address this issue. The PAT, made up of representatives from the Operations Control, Quality Assurance, Manufacturing, Planning, Finance and Internal Audit organizations, completed its work in August 1993, recommended implementation of the new system, and issued the necessary computer service requests to the Information Services Department. Information Services has subsequently reprioritized a number of projects to allow implementation of this actual cost

Mr. William J. Ryan
December 15, 1994
Page 2

recording system to proceed. The new system is now expected to be fully operational by the end of 1995.

The costs of implementing this system are primarily (1) the costs of developing computer software to collect the actual rework and repair costs and (2) the costs of quality assurance to check and validate the software and resulting system. LASC currently estimates the cost of the project to be approximately \$425,000. Most of these costs will be incurred in calendar year 1995, and will be charged to the appropriate LASC General and Administrative indirect cost accounts in the periods in which the costs are incurred. Commencing on the date of this letter, these costs, with the exception of the costs of management personnel not directly employed on this project, shall be collected in one or more cost accounts that shall be used solely for the costs of this project in order to permit ready identification of the amounts and sources of such costs.

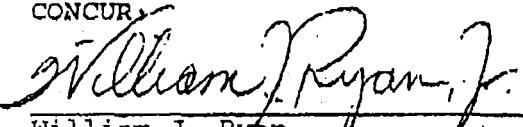
In connection with the execution of the Settlement Agreement, Lockheed requests your concurrence on behalf of the United States that the reasonable costs incurred by LASC in connection with the development and implementation of a system for collecting and recording actual costs of rework and repair at LASC: (1) are not costs of "corrective actions" related to the allegations resolved in the Settlement Agreement; (2) are not unallowable under Paragraph 10(c) of the Settlement Agreement or FAR 31.205-47; and (3) will be treated as General and Administrative costs in accordance with LASC's normal cost accounting practices, subject to review by the United States that the costs are actually incurred, are reasonable under FAR 31.201-3, and are allocable to government contracts under FAR 31.201-4.

If you concur with the above, please indicate by signing below. Once executed by you, this letter shall constitute an advance agreement between Lockheed and the United States under FAR 31.109 and shall govern the treatment of the referenced costs for all costing and pricing purposes.

Sincerely,


Gunnar M. Hease
Director of Accounting

CONCUR,


William J. Ryan

Divisional Administrative
Contracting Officer

Dated: December 15, 1994